

**MARQUETTE AREA PUBLIC SCHOOLS
MARQUETTE, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Education
Marquette Area Public Schools
Marquette, Michigan 49855

We have audited the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the Marquette Area Public Schools, Michigan, as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Marquette Area Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major funds, and remaining fund information of the Marquette Area Public Schools as of June 30, 2005 and changes in financial position and the cash flows, where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2005 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on page 61.

Required Supplemental Information

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 37 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required

Other Supplemental Information and Compliance Sections

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Marquette Area Public Schools. Also, the accompanying schedule of expenditures of federal awards as listed under the "Compliance Section" in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

August 12, 2005

Marquette Area Public Schools Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Marquette Area Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Marquette Area Public Schools as a whole were reported at \$7,976,722, comprised of 100% governmental activities.
- During the year, Marquette Area Public Schools expenses were 29,810,780, while revenues from all sources totaled \$30,171,183, resulting in an increase in net assets of \$360,403.
- There were no significant changes in programs for the 2004-2005 fiscal year. With declining enrollment and uncertain State funding, the School District remained essentially status quo.
- The general fund reported a decrease of \$60,315 before other financing sources (uses). This is \$521,570 higher than the forecasted decrease of \$581,885. This was a result of revenues being \$35,969 higher and expenses being \$485,601 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$27,753,378 and budgeted expenditures/transfers of \$30,039,208. There were no significant variances between the final budget and actual amounts.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Marquette Area Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Marquette Area Public Schools as a whole begins on page 8. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private - sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities - are indicators of whether

Management's Discussion and Analysis (Unaudited) (Continued)

its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the School District charges customers for the services it provides – whether to outside customers or to other units of the School District – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use an internal service fund (the only component of the School District's proprietary funds) to report activities that provide services for the School District's other programs and activities – such as financing of early retirement incentive and unused sick leave reimbursement plan payments.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Management's Discussion and Analysis (Unaudited) (Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2005 and 2004:

Table 1		
Net Assets		
	Governmental Activities	
	2005	2004
Current and other assets	\$13,486,965	\$14,420,277
Other noncurrent assets	93,003	99,646
Capital assets, net	10,299,007	10,063,246
Total Assets	23,878,975	24,583,169
Current liabilities	4,605,898	3,520,412
Long-term liabilities	11,296,355	13,446,438
Total Liabilities	15,902,253	16,966,850
Net Assets:		
Invested in capital assets, net of related debt	56,279	(870,368)
Restricted	183,784	115,570
Unrestricted	7,736,659	8,371,117
Total Net Assets	\$7,976,722	\$7,616,319

The School District's net assets were \$7,976,722 at June 30, 2005. Capital assets, net of related debt totaling \$56,279 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$7,736,659 was unrestricted.

The \$7,736,659 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005.

Table 2		
Change in Net Assets		
	Governmental Activities	
	2005	2004
Revenues		
Program revenues:		
Charges for services	\$1,074,012	\$ 849,809
Operating grants and contributions	4,471,649	5,090,486
General revenues:		
Property taxes	7,773,350	7,384,940
State sources not restricted to specific program	16,506,772	17,167,734
Investment earnings	238,401	100,434
Miscellaneous	106,999	68,476
Total Revenues	30,171,183	30,661,879

Management's Discussion and Analysis (Continued)

	Governmental Activities	
	2005	2005
Program Expenses:		
Instruction	\$16,949,213	\$17,737,928
Supporting services	9,946,507	9,189,460
Community services	113,726	104,654
Food service activities	807,608	795,545
Athletic activities	488,457	450,966
Interest on retirement of debt	377,751	436,449
Other	271,454	27,460
Depreciation - unallocated	856,064	-
Total Expenses	29,810,780	28,742,462
Increase (decrease) in net assets	360,403	1,919,417
Net assets, beginning	7,616,319	5,696,902
Net Assets, Ending	\$7,976,722	\$7,616,319

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$29,810,780. Certain activities were partially funded from those who benefited from the programs (\$1,074,012) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$4,471,649). We paid for the remaining "public benefit" portion of our governmental activities with \$7,773,350 in taxes, \$16,506,772 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$360,403.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of \$(1,902,243).
- Depreciation charged to expense of \$(856,064).
- Lease Expense \$39,240.
- Purchase of capital assets in the amount of \$1,091,824.
- Net revenues in Internal Service Fund of \$1,389,715.
- Proceeds from Debt Issue \$(118,354).
- Net increase due to pay down of principal through the use of debt fund balance of \$770,000.
- Accrued interest on long-term debt included in expense \$(11,873).
- Other miscellaneous transactions of \$(41,842).

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3 Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction	\$16,949,213	\$17,737,928	\$12,601,335	\$12,923,897
Supporting services	9,946,507	9,189,460	9,920,266	9,091,020
Community services	113,726	104,654	50,157	35,049
Food service activities	807,608	795,545	(25,826)	21,033
Athletic activities	488,457	450,966	213,918	267,259
Totals	\$28,305,511	\$28,278,553	\$22,759,850	\$22,338,258

Management's Discussion and Analysis (Unaudited) (Continued)

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$9,828,988, a decrease of \$1,902,243 from the beginning of the year. This decrease was planned as part of the School District's five year plan and included a \$1,706,368 decrease in the General Fund fund balance, and a decrease of \$195,875 in other funds fund balance.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$343,803, which is an immaterial decrease compared to the original budget. The largest portion of this increase was caused by additional interest income and pass through funding from MARESA.
- Budget expenditures were increased by \$592,216 to reflect contract settlements and staffing changes throughout the year. The overall change was immaterial.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005 and 2004, the School District had \$10,299,007 and \$10,063,246, respectively invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below):

Table 4
Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2005	2004
Land	\$822,392	\$809,392
Site improvements	404,805	412,582
Buildings	7,749,659	7,572,355
Equipment	945,223	926,455
Vehicles and buses	376,928	342,462
Totals	<u>\$10,299,007</u>	<u>\$10,063,246</u>

This year's additions of \$1,106,408 included vehicles, cafeteria equipment, technology, building renovations, and buses. No debt was issued for these additions.

Management's Discussion and Analysis (Unaudited) (Continued)

We anticipate capital additions for the 2005-2006 fiscal year will be comparable to the 2004-2005 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At June 30, 2005 and 2004, the School District had \$10,618,675 and \$11,309,561, respectfully, in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2005	2004
Installment loan	\$172,728	\$93,614
General obligation bonds	10,070,000	10,840,000
School improvement bonds	375,947	375,947
Totals	<u>\$10,618,675</u>	<u>\$11,309,561</u>

We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2006 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2006 fiscal year budget was adopted in June 2005, based on an estimate of students that will be enrolled in September 2005. Approximately 75 percent to 80 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2005-2006 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2006 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

During the 2005-2006 fiscal year, the School District expects to settle labor contracts with the Michigan Education Support Personnel Association (MESPA), I & II Unions and the Marquette Association of Building Administrators (MABA) Union. The cumulative effect of a one-year settlement is estimated by the School District to be less than \$500,000.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marquette Area Public Schools Central Administration, 1201 West Fair Ave. Marquette, Michigan, 49855.

Marquette Area Public Schools
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 4,679,731
Investments	4,912,897
Receivables:	
Accounts receivable	17,584
Delinquent property taxes	88,149
Due from others	3,780,504
Inventories	8,100
	<hr/>
TOTAL CURRENT ASSETS	13,486,965
	<hr/>
Noncurrent assets:	
Unamortized bond issue costs	93,003
Capital assets	26,308,046
Less accumulated depreciation	(16,009,039)
	<hr/>
TOTAL NONCURRENT ASSETS	10,392,010
	<hr/>
TOTAL ASSETS	23,878,975
	<hr/>
LIABILITIES:	
Current liabilities:	
Accounts payable	147,291
Accrued payroll and other liabilities	2,615,317
Due to others	150,311
Deferred revenue	42,965
Current portion of employee benefit obligations	759,460
Current portion of long term debt obligations	889,121
Other current liabilities	1,433
	<hr/>
TOTAL CURRENT LIABILITIES	4,605,898
	<hr/>
Noncurrent liabilities:	
Noncurrent portion of employee benefit obligations	1,640,027
Noncurrent portion of long term debt obligations	9,729,554
Less deferred discount on refunding bonds	(73,226)
	<hr/>
TOTAL NONCURRENT LIABILITIES	11,296,355
	<hr/>
TOTAL LIABILITIES	15,902,253
	<hr/>
NET ASSETS:	
Invested in capital assets net of related debt	56,279
Restricted:	
Debt Service	183,784
Unrestricted	7,736,659
	<hr/>
TOTAL NET ASSETS	\$ 7,976,722
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See Notes to Financial Statements.

**Marquette Area Public Schools
Statement of Activities
For the Year Ended June 30, 2005**

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,949,213	\$ 245,582	\$ 4,102,296	\$ (12,601,335)
Supporting services	9,946,507		26,241	(9,920,266)
Community services	113,726	63,569		(50,157)
Food service activities	807,608	490,322	343,112	25,826
Athletic activities	488,457	274,539		(213,918)
Other	271,454			(271,454)
Interest on retirement of debt	377,751			(377,751)
Depreciation- unallocated	856,064			(856,064)
TOTAL GOVERNMENTAL ACTIVITIES	29,810,780	1,074,012	4,471,649	(24,265,119)
General revenues:				
Taxes				
Property taxes, levied for general purposes				6,575,189
Property taxes, levied for debt services				1,198,161
State aid not restricted to specific purposes				
General				16,506,772
Interest and investment earnings				238,401
Miscellaneous				106,999
TOTAL GENERAL REVENUES AND TRANSFERS				24,625,522
			CHANGES IN NET ASSETS	360,403
Net Assets , July 1				7,616,319
			NET ASSETS, JUNE 30	\$ 7,976,722

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Balance Sheet
June 30, 2005**

	General Fund	Other Nonmajor Governmental Funds	Total
ASSETS:			
Cash and cash equivalents	\$ 4,477,719	\$ 376,330	\$ 4,854,049
Investments	3,147,170	831,772	3,978,942
Receivables:			
Accounts receivable	13,075	2,869	15,944
Delinquent property taxes	79,889	8,260	88,149
Due from others	3,771,469	9,035	3,780,504
Due from other funds	10,238	-	10,238
Inventories	-	8,100	8,100
TOTAL ASSETS	\$ 11,499,560	\$ 1,236,366	\$ 12,735,926
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 138,699	\$ 8,592	\$ 147,291
Accrued liabilities	2,544,237	12,280	2,556,517
Due to others	113,746	36,565	150,311
Due to other funds	1,206	7,215	8,421
Deferred revenue	42,965	-	42,965
Other liabilities	784	649	1,433
TOTAL LIABILITIES	2,841,637	65,301	2,906,938
FUND BALANCES:			
Reserved for:			
Capital projects		826,132	826,132
Retirement of debt		183,784	183,784
School lunch		161,149	161,149
Unreserved:			
Designated for contingencies	3,000,000		3,000,000
Undesignated	5,657,923		5,657,923
TOTAL FUND BALANCES	8,657,923	1,171,065	9,828,988
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,499,560	\$ 1,236,366	\$ 12,735,926

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005**

Total Fund Balances for Governmental Funds	\$	9,828,988
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

	Cost of capital assets	26,308,046	
	Accumulated depreciation	<u>(16,009,039)</u>	10,299,007

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds.

93,003

An internal service fund is used by the District to charge the cost of employee benefits to the General Fund. The net assets of the internal service fund is included in the governmental activities in the statement of net assets.

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Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds & Loans payable	10,618,675	
Accrued interest on bonds	58,800	
Employee benefits payable (other than those reported in internal service fund)	1,640,027	
Deferred discount on refunding bonds	<u>(73,226)</u>	<u>(12,244,276)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>7,976,722</u>
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See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005**

	General Fund	Other Nonmajor Governmental Funds	Total
REVENUES:			
Taxes and penalties	\$ 6,575,189	\$ 1,165,324	\$ 7,740,513
Federal sources	1,058,719	301,785	1,360,504
State aid	18,295,634	41,327	18,336,961
Local sources	407,437	764,861	1,172,298
Interest	208,755	29,646	238,401
Intermediate sources	1,231,913	-	1,231,913
Other	11,700	78,893	90,593
TOTAL REVENUES	27,789,347	2,381,836	30,171,183
EXPENDITURES:			
Current:			
Instruction	17,209,418		17,209,418
Supporting services	10,064,641		10,064,641
Community services	113,726		113,726
Food service activities		807,608	807,608
Athletic activities		497,677	497,677
Debt Service:			
Principal		770,000	770,000
Interest		368,444	368,444
Other	461,877	390,320	852,197
TOTAL EXPENDITURES	27,849,662	2,834,049	30,683,711
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,315)	(452,213)	(512,528)
OTHER FINANCING SOURCES (USES):			
Operating transfers in		256,338	256,338
Operating transfers out	(1,646,053)		(1,646,053)
Proceeds from sale of bonds			-
Payments to escrow agent to purchase bonds			-
TOTAL OTHER FINANCING SOURCES (USES)	(1,646,053)	256,338	(1,389,715)
NET CHANGE IN FUND BALANCES	(1,706,368)	(195,875)	(1,902,243)
Fund Balance, July 1	10,364,291	1,366,940	11,731,231
FUND BALANCE, JUNE 30	\$ 8,657,923	\$ 1,171,065	\$ 9,828,988

See Notes to Financial Statements.

**Marquette Area Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds **\$ (1,902,243)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	856,064	
Lease expense	(39,240)	
Capital outlays, net of retirements	<u>(1,091,824)</u>	275,000

An internal service fund is used by the District to charge the cost of terminal leave to the General Fund. The net revenue (expense) of the internal service fund is reported with the governmental activities.

1,389,715

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

(118,354)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

770,000

Unamortized bond issue costs and the deferred discount are reported as expenditures in the governmental funds. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities.

(11,873)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities.

2,566

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(44,408)

Change in Net Assets of Governmental Activities

\$ 360,403

See Notes to Financial Statements.

**Marquette Area Public Schools
Proprietary Funds
Statement of Net Assets
June 30, 2005**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Investments	\$ 759,637
Due from other funds	-
TOTAL ASSETS	<u><u>\$ 759,637</u></u>
 LIABILITIES:	
Noncurrent Liabilities:	
Due to other funds	\$ 177
Employee benefits payable	759,460
TOTAL LIABILITIES	<u><u>\$ 759,637</u></u>
 NET ASSETS:	
Unrestricted	-
TOTAL NET ASSETS	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
OPERATING REVENUES:	
Other	\$ -
TOTAL OPERATING REVENUES	<u>-</u>
OPERATING EXPENSES:	
Employee Benefits:	
Terminal leave	62,511
Incentive pay	-
FICA	4,782
Other	-
TOTAL OPERATING EXPENSES	<u>67,293</u>
OPERATING INCOME (LOSS)	(67,293)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	10,811
Operating transfers in	1,389,714
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,400,525</u>
CHANGE IN NET ASSETS	1,333,232
Net Assets, July 1	<u>(1,333,232)</u>
NET ASSETS, JUNE 30	<u><u>\$ -</u></u>

See Notes to Financial Statements.

Marquette Area Public Schools
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2005

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (67,293)
Changes in Assets and Liabilities:	
Increase (decrease) in liabilities:	
Employee benefits payable:	
Obligations incurred	67,293
Payments made	(640,888)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(640,888)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers in	1,389,714
NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES	<u>1,389,714</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Redemption of investments - net	-
Interest income	10,811
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>10,811</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	759,637
 Cash and cash equivalents, July 1	<u>-</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 759,637</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2005**

	Private-Purpose Trust	Student Activity Agency Fund
	<hr/>	<hr/>
ASSETS:		
Cash and equivalents	\$ 85,576	\$ 323,162
Investments - certificates of deposit	206,366	-
Accounts receivable	6,000	-
	<hr/>	<hr/>
TOTAL ASSETS	297,942	\$ 323,162
	<hr/>	<hr/>
LIABILITIES:		
Accounts payable	2,885	\$ 556
Due to other funds	-	2,846
Due to groups, organizations and activities	-	319,760
	<hr/>	<hr/>
TOTAL LIABILITIES	2,885	323,162
	<hr/>	<hr/>
NET ASSETS:		
Reserved for scholarships	295,057	-
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 297,942	\$ 323,162
	<hr/>	<hr/>

See Notes to Financial Statements.

Marquette Area Public Schools
Fiduciary Fund
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2005

	Private-Purpose Trust
ADDITIONS:	
Private sources contributions	\$ 99,316
Interest	6,003
Other sources	-
TOTAL ADDITIONS	<u>105,319</u>
DEDUCTIONS:	
Scholarships awarded	<u>106,900</u>
TOTAL DEDUCTIONS	<u>106,900</u>
CHANGE IN NET ASSETS	(1,581)
Net assets, July 1	<u>296,638</u>
NET ASSETS, JUNE 30	<u><u>\$ 295,057</u></u>

See Notes to Financial Statements.

MARQUETTE AREA PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE A - THE FINANCIAL REPORTING ENTITY:

The Marquette Area Public School District covers an area of 123 square miles and serves a population of approximately 31,000. During fiscal 2005 public education was provided to over 4,000 students in grades Kindergarten through 12. The educational sites include four elementary schools, two middle schools, and one high school.

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Marquette Area Public Schools, Marquette County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Marquette Area Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

considered a major fund and the remaining funds of the School District are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund - The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Marquette Area Public Schools are the Food Service and Athletics funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Fund - Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Proprietary Funds

Internal Service Fund - Internal Service funds are used in significant part for financing of early retirement incentive and unused sick leave reimbursement plan payments

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Deferred Revenues

In the district-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$42,965 in the General Fund for grant funding that has been received but is unearned.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the district-wide statements.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2005, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$4,679,731	\$615,104	\$5,294,835
Investments	4,912,897	-	4,912,897
	<u>\$9,592,628</u>	<u>\$615,104</u>	<u>\$10,207,732</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$5,982,361 of the District's bank balance of \$6,084,307 was exposed to custodial credit risk as being uninsured and uncollateralized.

Investments

As of June 30, 2005, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund – Mutual Bonds	<u>\$4,912,897</u>	<u>\$4,912,897</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$3,326,712 due from the State of Michigan for State Aid, and \$453,792 due from other governmental units for the operation of special programs and grant projects.

NOTE E – INTERFUND RECEIVABLES AND PAYABLES:

	Receivable		Payable
General Fund	\$9,032	Internal Service Fund	\$178
Debt Service Fund	1,206	School Service Fund	7,215
		Student Activity Fund	2,845
Total	<u>\$10,238</u>	Total	<u>\$10,238</u>

NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2005 is as follows:

	Governmental Activities
Accrued wages	\$1,420,963
MESSA payable	816,499
Accrued fringes	319,055
Accrued interest	58,800
	<u>\$2,615,317</u>

NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2005, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
School Improvement Bonds, Series 1998, due in annual installments of \$29,000 to \$54,000 through 2013 with interest of 8.00%. The only source of revenues for making the debt service payments on these bonds is an annual state appropriation.	\$375,947	\$-	\$-	\$375,947
Installment loan contract, due in annual installments of \$20,980 including interest at 3.92% through August 2008.	93,614	-	17,312	76,302
Installment loan contract due in annual installments of \$21,928 including interest at 12% through July 2009	-	118,354	21,928	96,426

NOTE G – LONG-TERM OBLIGATIONS:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
2003 Refunding Issue Serial Bonds, due in annual installments of \$500,000 to \$885,000 through 2020 with interest of 2.0% to 4.35%	\$10,840,000	\$-	\$770,000	\$10,070,000
Subtotal	11,309,561	118,354	809,240	10,618,675
Employee benefits – terminal leave	1,652,101	-	12,074	1,640,027
TOTAL LONG-TERM DEBT	\$12,961,662	\$118,354	\$821,314	\$12,258,702

Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2005 (exclusive of employee benefits) are as follows:

Fiscal Year	Principal	Interest	Total
2006	\$889,121	\$372,905	\$1,262,026
2007	906,958	353,561	1,260,519
2008	929,938	331,688	1,261,626
2009	958,042	302,785	1,260,827
2010	920,303	272,991	1,193,294
Thereafter	6,014,313	1,183,557	7,197,870
TOTALS	\$10,618,675	\$2,817,487	\$13,436,162

NOTE H – LONG-TERM OBLIGATIONS:

Employee Benefits

The School District accrues the liability for earned sick leave based on the vesting method. The liability is accrued as benefits are earned if it is probable that the District will compensate the employees conditioned upon retirement. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement at which time 100% of the unused accumulated sick days up to a maximum of two hundred are converted to terminal leave pay. The District has provided early retirement incentives. Employee benefits payable are recorded in the financial statements as follows:

	Internal Service Fund	Other	Total Governmental Activities
Employee Severance Plan	\$396,880	\$-	\$396,880
Voluntary Severance Retirement Plan	362,580	1,640,027	2,002,607
	\$759,460	\$1,640,027	\$2,399,487

NOTE I – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$809,392	\$13,000	\$-	\$822,392
Capital assets being depreciated:				
Site improvements	1,624,388	61,274	-	1,685,662
Buildings	18,024,745	554,933	-	18,579,678
Equipment	3,176,328	330,458	-	3,506,786
Vehicles and buses	1,736,214	146,743	169,430	1,713,527
Total Capital Assets	25,371,067	1,106,408	169,430	26,308,045
Capital assets being depreciated:				
Site improvements	1,211,807	69,050	-	1,280,857
Buildings	10,452,389	373,587	(4,043)	10,830,019
Equipment	2,249,873	311,690	-	2,561,563
Vehicles and buses	1,393,752	101,737	158,890	1,336,599
Total Accumulated Depreciation	15,307,821	856,064	154,847	16,009,038
Governmental Activities Capital Assets, Net	\$10,063,246	\$250,344	\$14,583	\$10,299,007

Depreciation expense was charged to unallocated activities in the amount of \$856,064.

NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

General Fund – The School district designated \$3,000,000 which represents a contingency fund for future operational needs.

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Capital Project Fund – The resources of the Building & Site Fund are to be used for capital outlay projects. The fund equity is reserved for this purpose.

Expendable Trust Fund – The resources of the Expendable Trust Fund are to be used for the granting of scholarships and awards to qualified students.

NOTE J – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the

NOTE J – STATE REVENUE (Continued):

allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2004 - August 2005.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE K – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

A summary of operating transfers to/from other funds during fiscal year 2005 is as follows:

	Operating Transfers In		Operating Transfers Out
Athletic Fund	\$223,139	General Fund	\$1,646,053
Capital Projects Fund	33,200		
Internal Service Fund	1,389,714		
	<u>\$1,646,053</u>		<u>\$1,646,053</u>

NOTE L – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$49,277 during fiscal 2005 in revenues and expenditures for USDA commodities.

NOTE M – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2004 totaled \$727,037,158 (\$362,935,647 designated as Homestead and \$364,101,511 designated as Non-Homestead). The total tax levy consists of 18 mills for the General Fund and 1.8 mills for debt retirement.

NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

NOTE N – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 12.99% of covered compensation to the Plan through September 30, 2004 and 14.87% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2005 was \$2,827,332 which consisted of \$2,343,497 from the School District and \$483,835 from employees electing the MIP option. These represent approximately 14% and 3% of covered payroll, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2005 was approximately \$16,168,330. The School District's total payroll was approximately \$16,209,003.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

NOTE O – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

NOTE O – CONTINGENT LIABILITIES (Continued):

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE P – ECONOMIC DEPENDENCY:

The School District received approximately 65 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

REQUIRED SUPPLEMENTAL INFORMATION

**Marquette Area Public Schools
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 6,910,056	\$ 7,150,834	\$ 7,191,381	\$ 240,778	\$ 40,547
State sources	18,384,182	18,310,604	18,295,634	(73,578)	(14,970)
Federal sources	1,085,766	1,068,170	1,058,719	(17,596)	(9,451)
Other governmental units	1,029,571	1,223,770	1,243,613	194,199	19,843
TOTAL REVENUES	27,409,575	27,753,378	27,789,347	343,803	35,969
EXPENDITURES:					
Instruction:					
Basic Programs	12,953,896	13,257,992	13,129,298	(304,096)	128,694
Added Needs	4,728,063	4,164,238	4,056,097	563,825	108,141
Adult/Continuing education	32,118	29,155	24,023	2,963	5,132
Total Instruction	17,714,077	17,451,385	17,209,418	262,692	241,967
Supporting Services:					
Pupil services	1,644,077	2,166,835	2,140,640	(522,758)	26,195
Instructional staff	717,174	657,407	643,053	59,767	14,354
General administration	668,038	585,279	550,418	82,759	34,861
School administration	1,466,121	1,525,176	1,509,131	(59,055)	16,045
Business services	272,429	276,980	275,313	(4,551)	1,667
Operation and maintenance	2,577,362	2,716,733	2,652,092	(139,371)	64,641
Pupil transportation	1,197,325	1,292,368	1,261,081	(95,043)	31,287
Central staff	985,439	959,973	924,271	25,466	35,702
Other	112,199	112,131	108,642	68	3,489
Total Supporting services	9,640,164	10,292,882	10,064,641	(652,718)	228,241
Community Services					
Recreation/Community Activities	100,906	127,796	113,726	(26,890)	14,070
Total Community services	100,906	127,796	113,726	(26,890)	14,070
Pymts. To Other Gov't./Facilities Acquisition:					
Facilities Acquisition	350,900	338,700	337,694	12,200	1,006
Prior Period Adjustment - Prior Period Revenues	-	124,500	124,183	(124,500)	317
Total Pymts./Facilities Acquisition	350,900	463,200	461,877	(112,300)	1,323
TOTAL EXPENDITURES	27,806,047	28,335,263	27,849,662	(529,216)	485,601
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(396,472)	(581,885)	(60,315)	(185,413)	521,570
OTHER FINANCING SOURCES					
Operating transfers in	-	-	-	-	-
Operating transfers out	(893,150)	(1,703,945)	(1,646,053)	(810,795)	57,892
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,289,622)	(2,285,830)	(1,706,368)	(996,208)	579,462
FUND BALANCE, JULY 1	9,817,326	10,364,291	10,364,291	546,965	-
FUND BALANCE, JUNE 30	\$ 8,527,704	\$ 8,078,461	\$ 8,657,923	\$ (449,243)	\$ 579,462

OTHER SUPPLEMENTAL INFORMATION

**Marquette Area Public Schools
General Fund
Balance Sheet
June 30, 2005
With Comparative Actual Amounts at June 30, 2004**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash and equivalents	\$ 4,477,719	\$ 7,392,982
Investments	3,147,170	1,334,629
Accounts receivable	13,075	34,430
Due from other governmental units	3,771,469	4,116,520
Delinquent taxes receivable	79,889	61,669
Due from other funds	10,238	94,471
Other Assets		-
TOTAL ASSETS	<u><u>\$ 11,499,560</u></u>	<u><u>\$ 13,034,701</u></u>
LIABILITIES:		
Accounts payable	\$ 138,699	\$ 189,633
Accrued liabilities	2,544,237	2,415,811
Deferred revenue	42,965	33,112
Due to State of Michigan	113,746	-
Due to other funds	1,206	-
Other Liabilities	784	1,084
TOTAL LIABILITIES	<u><u>2,841,637</u></u>	<u><u>2,639,640</u></u>
FUND EQUITY:		
Fund balance:		
Designated for employee benefits	-	1,333,232
Designated for contingencies	3,000,000	-
Unreserved	5,657,923	9,061,829
TOTAL FUND EQUITY	<u><u>8,657,923</u></u>	<u><u>10,395,061</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 11,499,560</u></u>	<u><u>\$ 13,034,701</u></u>

Marquette Area Public Schools
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Amounts for the Year Ended June 30, 2004

	2005		Variance Favorable (Unfavorable)	2004
	Budget	Actual		
REVENUES:				
Local Sources:				
Property tax levy	\$ 6,553,828	\$ 6,553,813	\$ (15)	\$ 6,235,282
Payments in Lieu of Taxes	-	-	-	23,983
Penalty and interest on delinquent taxes	22,000	21,376	(624)	20,068
Tuition-Adult/Continuing Education Community School Enrichment	85,990	102,216	16,226	89,718
Rental of School facilities	55,000	63,569	8,569	69,605
Income from investments	200,000	208,755	8,755	86,362
Universal Service Fee	31,000	30,571	(429)	45,562
Field Trips	65,000	75,441	10,441	65,021
Driver's Education	25,500	25,654	154	44,760
Other local revenue	52,500	55,858	3,358	31,357
Local Grants	60,016	54,128	(5,888)	97,409
TOTAL LOCAL SOURCES	7,150,834	7,191,381	40,547	6,809,127
State Sources:				
Unrestricted:				
Proposal A Obligation	9,164,260	9,164,260	0	9,866,063
Discretionary Payment	6,945,405	6,945,414	9	7,169,661
Discretionary Payment - Alt. Ed.	411,514	411,514	-	57,355
State Aid Adjustment	(16,500)	(14,416)	2,084	74,655
Restricted:				
Durant	58,846	58,846	(0)	58,846
School Readiness	85,800	85,800	-	82,500
Special education - headlee obligation	1,179,692	1,179,692	0	1,219,152
Adult education	6,500	6,549	49	6,233
Advanced and Accelerated	424	500	76	-
Vocational education	101,288	101,288	(0)	139,429
Teacher Technology Initiative	-	-	-	954
Golden Apple	17,663	500	(17,163)	2,600
ASAP - LAP	-	-	-	93,158
At Risk	345,344	345,319	(25)	383,343
Strong Families	-	-	-	-
Driver Education	5,134	5,135	1	24,809
Court Placed Children	5,234	5,234	-	-
Other state grants	-	-	-	-
TOTAL STATE SOURCES	18,310,604	18,295,634	(14,970)	19,178,758
Federal sources:				
Restricted:				
Title IV - Indian Education	47,171	47,171	-	46,724
Restricted - received through the state:				
E.I.C.I.A. Title I	504,051	500,494	(3,558)	517,745
E.I.C.I.A. Title II-A	204,313	199,711	(4,602)	214,092
E.I.C.I.A. Title II-D	11,660	11,660	-	16,774
E.I.C.I.A. Title V	2,209	2,209	-	3,000
E.I.C.I.A. Title VII	-	-	-	6,430
Eisenhower	-	-	-	-
Drug Free Supplemental	-	-	-	-
Abstinence Grant	-	-	-	-
Homeland Security	11,723	11,722	(1)	-
Restricted - received through the MAISD:				
Public Law 94-142 Special Education Flowthrough	-	-	-	3,410
Preschool	1,000	985	(15)	1,000
Flowthrough	247,436	245,107	(2,329)	386,117
Perkins	24,088	24,088	-	28,002
Gifted & Talented	-	-	-	-
Autism	-	1,053	1,053	474
Medicaid Fee for Service	-	-	-	-
Drug Free Schools and Communities Grant	14,519	14,519	(0)	4,328
Other programs	-	-	-	-
TOTAL FEDERAL SOURCES	1,068,170	1,058,719	(9,451)	1,228,096
Incoming transfers and other transactions:				
Tuition - other school districts	11,500	11,700	200	4,200
Marquette-Alger ISD:				
Special education	1,040,000	1,040,660	660	1,030,725
Medicaid Fee for Service	150,000	169,097	19,097	238,635
Durant	17,071	17,071	(0)	17,071
Proceeds from Sale of Capital Assets	5,199	5,085	(114)	13,498
Other Transactions	-	-	-	40,250
TOTAL INCOMING TRANSFERS/OTHER TRANSACTIONS	1,223,770	1,243,613	19,843	1,344,379
TOTAL REVENUES	27,753,378	27,789,347	35,969	28,560,360

Marquette Area Public Schools
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Amounts for the Year Ended June 30, 2004

		2005		Variance				
		Budget	Actual	Favorable (Unfavorable)	2004			
EXPENDITURES:								
Instruction:								
Elementary:								
Salaries	\$	3,941,206	\$	3,921,421	\$	19,785	\$	3,870,169
Fringe benefits		1,808,609		1,783,007		25,602		1,606,435
Purchased services		400		397		3		1,537
Purchased services - equipment/other		147,269		69,842		77,427		134,537
Supplies and materials		305,028		294,342		10,686		191,805
Capital outlay		-		60,830		(60,830)		6,989
Other expenses		-		-		-		-
TOTAL ELEMENTARY		6,202,512		6,129,839		72,673		5,811,472
Middle School:								
Salaries		1,808,890		1,806,637		2,253		1,824,859
Fringe benefits		910,646		886,593		24,053		819,294
Purchased services		42,112		36,558		5,554		-
Purchased services - equipment/other		-		-		-		108,173
Supplies and materials		47,522		45,776		1,746		102,910
Capital outlay		-		3,950		(3,950)		2,250
Other expenses		1,913		1,479		434		970
TOTAL MIDDLE SCHOOL		2,811,083		2,780,993		30,090		2,858,456
High School:								
Salaries		2,544,674		2,547,162		(2,488)		2,314,603
Fringe benefits		1,320,808		1,303,921		16,887		1,144,705
Purchased services		26,332		24,339		1,993		17,245
Purchased services - equipment/other		97,744		79,451		18,293		160,293
Supplies and materials		146,809		144,256		2,553		200,859
Capital outlay		18,640		32,003		(13,363)		23,237
Other expenses		3,590		1,534		2,056		1,253
TOTAL HIGH SCHOOL		4,158,597		4,132,666		25,931		3,862,195
Pre-School:								
Purchased services		85,800		85,800		-		78,375
TOTAL PRE-SCHOOL		85,800		85,800		-		78,375
Special Education:								
Salaries		1,782,212		1,718,536		63,676		1,739,526
Fringe benefits		1,177,857		1,149,889		27,968		1,047,718
Purchased services		1,900		1,364		536		2,293
Purchased services - equipment/other		10,259		7,380		2,879		11,551
Supplies and materials		24,791		21,041		3,750		23,242
Capital outlay		-		3,015		(3,015)		-
Other expenses		500		490		10		(381)
TOTAL SPECIAL EDUCATION		2,997,519		2,901,714		95,805		2,823,949
Compensatory Education:								
Salaries		383,785		384,670		(885)		492,578
Fringe benefits		163,978		164,869		(891)		229,846
Purchased services		12,303		12,293		10		1,825
Supplies and materials		6,741		5,571		1,170		18,450
Other expenses		1,239		1,233		6		1,269
TOTAL COMPENSATORY EDUCATION		568,046		568,636		(590)		743,968
Career & Technical Education:								
Salaries		344,016		339,924		4,092		340,959
Fringe benefits		153,264		147,994		5,270		125,690
Purchased services		26,470		26,161		309		15,052
Purchased services - equipment/other		19,827		18,813		1,014		25,804
Supplies and materials		49,270		47,173		2,097		73,363
Capital outlay		5,826		5,682		144		19,000
TOTAL CAREER & TECHNICAL EDUCATION		598,673		585,747		12,926		599,868
Adult/Continuing Education:								
Salaries		18,616		17,187		1,429		19,370
Fringe benefits		5,714		3,303		2,411		8,441
Purchased services		-		-		-		-
Purchased services - equipment/other		1,850		1,249		601		4,194
Supplies and materials		2,525		1,870		655		2,860
Capital outlay		-		-		-		-
Other expenses		450		415		36		450
TOTAL ADULT/CONTINUING EDUCATION		29,155		24,023		5,132		35,315
TOTAL INSTRUCTION		17,451,385		17,209,418		241,967		16,813,598

	2005		Variance Favorable (Unfavorable)	2004
	Budget	Actual		
Supporting Services:				
Pupil Services:				
Truancy/Absenteeism Services:				
Salaries	\$ 33,884	\$ 33,604	\$ 280	\$ 32,915
Fringe benefits	31,130	30,872	258	24,457
Guidance Services:				
Salaries	454,834	444,148	10,686	428,622
Fringe benefits	222,313	218,005	4,308	181,567
Purchased services	-	-	-	408
Purchased services - equipment/other	-	-	-	852
Supplies and materials	2,100	574	1,526	1,966
Health Services:				
Salaries	73,157	72,933	224	70,092
Fringe benefits	45,244	44,439	805	38,213
Purchased services	81,190	88,376	(7,186)	84,268
Purchased services - equipment/other	5,950	4,963	988	2,845
Supplies and materials	5,860	4,738	1,122	5,154
Psychological Services:				
Salaries	114,113	114,113	-	109,830
Fringe benefits	54,730	54,547	183	47,331
Purchased services	1,750	654	1,096	625
Supplies and materials	5,000	3,165	1,835	4,666
Speech Pathology and Audiology Services:				
Salaries	335,607	337,460	(1,853)	320,776
Fringe benefits	147,040	145,878	1,162	128,729
Purchased services	800	572	228	7,225
Purchased services - equipment/other	-	-	-	324
Supplies and materials	1,450	693	757	1,178
Social Work Services:				
Salaries	67,186	67,527	(341)	65,822
Fringe benefits	30,507	29,746	761	25,931
Purchased services	1,500	1,154	346	1,002
Supplies and materials	500	234	266	208
Teacher Consultant:				
Salaries	272,001	271,463	538	89,794
Fringe benefits	128,227	126,801	1,426	41,198
Purchased services	10,000	5,167	4,833	5,497
Supplies and materials	-	-	-	1,696
Other Pupil Support Services:				
Salaries	28,691	26,945	1,746	24,007
Fringe benefits	12,071	11,442	629	11,344
Purchased services	-	-	-	-
Other	-	424	(424)	-
TOTAL PUPIL SERVICES	2,166,835	2,140,640	26,195	1,758,542
Instructional Staff:				
Improvement of Instruction:				
Salaries	30,282	28,043	2,239	27,701
Fringe benefits	6,721	6,391	330	5,641
Purchased services	53,868	51,456	2,412	39,483
Purchased services - equipment/other	12,108	10,906	1,202	29,120
Supplies and materials	20,925	17,845	3,080	26,242
Capital outlay	1,000	-	1,000	-
Other	3,173	517	2,656	2,813
Educational Media Services:				
Salaries	138,431	137,940	491	144,710
Fringe benefits	76,967	77,211	(244)	70,428
Purchased services - equipment/other	4,000	4,012	(12)	3,909
Supplies and materials	12,184	11,566	618	11,161
Capital outlay	-	-	-	-
Supervision/Direction of Instructional Staff:				
Salaries	191,739	192,466	(727)	188,668
Fringe benefits	88,775	89,292	(517)	64,527
Purchased services	13,083	12,271	812	20,838
Supplies and materials	1,700	1,720	(20)	819
Other Instructional Staff Services:				
Salaries	2,000	1,157	843	-
Fringe benefits	451	261	190	-
Purchased services	-	-	-	-
Supplies and materials	-	-	-	-
TOTAL INSTRUCTIONAL STAFF	657,407	643,053	14,354	636,060

2005				2004	
	Budget	Actual	Variance Favorable (Unfavorable)		
General Administration:					
Board of Education:					
Salaries	\$ 7,000	\$ 5,280	\$ 1,720	\$	7,206
Employee benefits	21,856	8,251	13,605		10,630
Purchased services	18,000	16,049	1,951		11,602
Purchased services - equipment/other	2,500	1,930	571		11,386
Supplies and materials	6,000	5,901	99		4,270
Other expenses	14,255	14,110	145		13,716
Executive Administration:					
Salaries	279,428	278,386	1,042		281,128
Fringe benefits	126,809	124,413	2,396		120,922
Purchased services	47,925	37,363	10,562		39,938
Purchased services - equipment/other	32,754	32,457	297		33,347
Supplies and materials	17,697	15,815	1,882		10,046
Capital outlay	3,779	3,779	-		1,700
Other expenses	7,276	6,684	592		7,819
TOTAL GENERAL ADMINISTRATION	585,279	550,418	34,861		553,710
School Administration:					
Office of Principal:					
Salaries	953,648	946,431	7,217		978,219
Fringe benefits	464,953	462,312	2,641		430,878
Purchased services	88,435	82,471	5,964		2,850
Supplies and materials	10,294	10,030	264		8,341
Capital Outlay	-	-	-		-
Other expenses	7,846	7,886	(40)		7,353
TOTAL SCHOOL ADMINISTRATION	1,525,176	1,509,131	16,045		1,427,641
Business Services:					
Fiscal Services:					
Salaries	170,978	170,978	(0)		169,251
Fringe benefits	71,702	70,779	923		58,319
Purchased services	6,500	4,981	1,519		5,473
Supplies and materials	5,950	4,780	1,170		-
Capital Outlay	1,850	1,848	2		4,421
Other	-	-	-		-
Other Business Services:					
Purchased services	20,000	22,001	(2,001)		20,013
Supplies and materials	-	(54)	54		-
Other expenses	-	-	-		-
TOTAL BUSINESS SERVICES	276,980	275,313	1,667		257,477
Operations and Maintenance:					
Salaries	810,384	785,197	25,187		812,966
Fringe benefits	528,406	514,437	13,969		484,415
Purchased services	280,950	274,899	6,051		258,956
Purchased services - equipment/other	196,457	202,342	(5,885)		218,156
Supplies and materials	873,986	848,814	25,172		766,006
Capital outlay	11,942	11,899	43		-
Other expenses	2,885	2,780	105		2,635
Security Services					
Salaries	7,866	7,866	-		-
Fringe benefits	1,607	1,607	-		-
Purchased services	1,036	1,036	-		-
Supplies and materials	1,214	1,214	-		-
TOTAL OPERATIONS AND MAINTENANCE	2,716,733	2,652,092	64,640		2,543,134
Pupil Transportation Services:					
Salaries	591,401	579,080	12,321		585,273
Fringe benefits	441,429	431,674	9,755		361,445
Purchased services	31,000	24,057	6,943		23,894
Purchased services - equipment/other	59,838	58,933	905		36,718
Supplies and materials	156,000	154,566	1,434		137,849
Capital outlay	10,200	10,492	(292)		-
Other expenses	2,500	2,280	220		2,155
TOTAL PUPIL TRANSPORTATION SERVICES	1,292,368	1,261,081	31,287		1,147,334
Central Staff:					
Planning:					
Purchased services	6,307	6,307	-		4,889
Other	2,033	4,339	(2,306)		200
Communication Services:					
Purchased services	2,000	1,878	122		-

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
Staff/Personnel Services:				
Salaries	\$ 95,596	\$ 95,659	\$ (63)	\$ 95,473
Fringe benefits	51,050	50,842	208	49,390
Purchased services	62,500	50,471	12,029	83,901
Purchased services - equipment/other	-	-	-	-
Supplies and materials	4,300	1,412	2,888	2,737
Other	645	603	42	495
Support Services Technology:				
Salaries	224,172	222,013	2,159	219,700
Fringe benefits	131,141	126,820	4,321	107,701
Purchased services	205,382	197,530	7,852	149,263
Purchased services - equipment/other	33,033	26,339	6,694	21,743
Supplies and materials	39,500	41,829	(2,329)	17,826
Capital outlay	66,130	62,637	3,493	27,675
Pupil Accounting:				
Salaries	22,151	22,151	1	21,931
Fringe benefits	12,683	12,371	313	11,178
Purchased services	1,100	1,072	28	74
Supplies and materials	250	-	250	-
TOTAL CENTRAL STAFF	959,973	924,271	35,702	814,176
Other Support Services				
Pupil Activities:				
Salaries	90,994	88,577	2,417	84,485
Fringe benefits	21,137	20,065	1,072	17,556
Other	-	-	-	-
TOTAL OTHER SUPPORT SERVICES	112,131	108,642	3,489	102,041
TOTAL SUPPORTING SERVICES	10,292,882	10,064,641	228,240	9,240,115
Community Services:				
Community Services Direction:				
Supplies and materials	-	-	-	-
Community Recreation				
Salaries	44,973	44,340	633	47,942
Fringe benefits	12,117	8,596	3,521	7,854
Purchased services	8,200	7,573	627	7,539
Purchased services - equipment/other	3,250	2,682	568	2,305
Supplies and materials	2,100	1,984	116	1,461
Capital outlay	-	-	-	-
Other expenses	2,200	2,210	(10)	500
Community Activities:				
Salaries	27,000	23,235	3,765	23,660
Fringe benefits	7,360	5,553	1,807	4,960
Purchased services	360	360	-	2,448
Purchased services - equipment/other	2,480	910	1,570	400
Supplies and materials	6,540	6,024	516	5,585
Non-Public School Pupils:				
Salaries	6,242	5,774	468	-
Fringe benefits	1,939	1,705	234	-
Supplies and materials	3,035	2,780	255	-
TOTAL COMMUNITY SERVICES	127,796	113,726	14,070	104,654
Pymts. To Other Gov't/Facilities Acquisition:				
Facilities Acquisition:				
Capital outlay	338,700	337,694	1,006	358,844
Prior Period Adjustment - Prior Period Revenues	124,500	124,183	317	-
TOTAL FACILITIES ACQUISITION	463,200	461,877	1,323	358,844
TOTAL EXPENDITURES	28,335,263	27,849,662	485,600	26,517,211
EXCESS REVENUES (EXPENDITURES)	(581,885)	(60,315)	521,570	2,043,149
Other Financing Sources (Uses):				
Operating Transfers Out:				
Athletic Fund	(252,245)	(223,139)	29,106	(267,259)
Capital Projects Fund	(33,200)	(33,200)	-	-
Internal Service Fund	(1,418,500)	(1,389,714)	28,786	(740,874)
TOTAL OPERATING TRANSFERS	(1,703,945)	(1,646,053)	57,892	(1,008,133)
EXCESS REVENUES (EXPENDITURES) AND OTHER FINANCING USES	\$ (2,285,830)	\$ (1,706,368)	\$ 579,462	\$ 1,035,016
FUND BALANCE, JULY 1		10,364,291		9,329,275
Residual equity transfers		-		-
FUND BALANCE, JUNE 30		\$ 8,657,923		\$ 10,364,291

**Marquette Area Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2005**

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and equivalents	\$ 202,012	\$ 174,318		\$ 376,330
Investments	-	-	831,772	831,772
Accounts receivable	2,869	8,260		11,129
Due from others	7,829	1,206		9,035
Inventories	8,100	-		8,100
TOTAL ASSETS	\$ 220,810	\$ 183,784	\$ 831,772	\$ 1,236,366
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 2,952	\$ -	\$ 5,640	\$ 8,592
Due to other funds	7,215	-	-	7,215
Due to others	36,565	-	-	36,565
Accrued liabilities	12,929	-	-	12,929
TOTAL LIABILITIES	59,661	-	5,640	65,301
FUND BALANCES:				
Reserved for:				
School lunch	161,149	-		161,149
Debt retirement		183,784		183,784
Capital projects			826,132	826,132
Unreserved				-
TOTAL FUND BALANCES	161,149	183,784	826,132	1,171,065
TOTAL LIABILITIES AND FUND BALANCES	\$ 220,810	\$ 183,784	\$ 831,772	\$ 1,236,366

**Marquette Area Public Schools
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005**

	Special Revenue	Debt Retirement	Capital Projects	Total
REVENUES:				
Federal sources	\$ 301,785	\$ -	\$ -	\$ 301,785
State aid	41,327	-	-	41,327
Taxes & penalties	-	1,165,324	-	1,165,324
School lunch activities	490,322	-	-	490,322
Athletic activities	274,539	-	-	274,539
Interest	2,710	10,280	16,656	29,646
Sale of fixed assets	-	-	-	-
Other	428	36,195	42,270	78,893
TOTAL REVENUES	1,111,111	1,211,799	58,926	2,381,836
EXPENDITURES:				
School lunch activities	807,608	-	-	807,608
Athletic activities	497,677	-	-	497,677
Debt service payments - Principal	-	770,000	-	770,000
Debt service payments - Interest	-	368,444	-	368,444
Other	-	5,141	385,179	390,320
TOTAL EXPENDITURES	1,305,285	1,143,585	385,179	2,834,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(194,174)	68,214	(326,253)	(452,213)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	223,138	-	33,200	256,338
NET CHANGE IN FUND BALANCE	28,964	68,214	(293,053)	(195,875)
Fund Balance, July 1	132,185	115,570	1,119,185	1,366,940
FUND BALANCE, JUNE 30	\$ 161,149	\$ 183,784	\$ 826,132	\$ 1,171,065

Marquette Area Public Schools
Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	<u>School Lunch</u>	<u>Athletic</u>	<u>Totals (Memorandum Only)</u>
ASSETS:			
Cash and equivalents	\$ 161,425	\$ 40,587	\$ 202,012
Due from other governmental units	7,829	-	7,829
Accounts receivable	-	2,869	2,869
Inventories	<u>8,100</u>	<u>-</u>	<u>8,100</u>
TOTAL ASSETS	<u><u>\$ 177,354</u></u>	<u><u>\$ 43,456</u></u>	<u><u>\$ 220,810</u></u>
LIABILITIES:			
Accounts payable	\$ 2,829	\$ 123	\$ 2,952
Due to other funds	7,215	-	7,215
Due to others	-	36,565	36,565
Accrued liabilities	6,161	6,768	12,929
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>16,205</u>	<u>43,456</u>	<u>59,661</u>
FUND EQUITY:			
Fund balances:			
Reserved for school lunch	<u>161,149</u>	<u>-</u>	<u>161,149</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 177,354</u></u>	<u><u>\$ 43,456</u></u>	<u><u>\$ 220,810</u></u>

Marquette Area Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

	School Lunch	Athletic	Totals (Memorandum Only)
REVENUES:			
Federal sources	\$ 301,785	\$ -	\$ 301,785
State aid	41,327	-	41,327
School lunch activities	490,322	-	490,322
Athletic activities	-	274,539	274,539
Interest	2,710	-	2,710
Other revenues	428	-	428
TOTAL REVENUES	836,572	274,539	1,111,111
EXPENDITURES:			
School lunch activities	807,608	-	807,608
Athletic activities	-	497,677	497,677
TOTAL EXPENDITURES	807,608	497,677	1,305,285
EXCESS REVENUES (EXPENDITURES)	28,964	(223,138)	(194,174)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	223,138	223,138
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	28,964	-	28,964
FUND BALANCE, JULY 1	132,185	-	132,185
FUND BALANCE, JUNE 30	\$ 161,149	\$ -	\$ 161,149

Marquette Area Public Schools
School Lunch Fund
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
REVENUES:				
Federal sources	\$ 271,500	\$ 301,785	\$ 30,285	\$ 264,218
State aid	41,000	41,327	327	48,067
School lunch activities	469,000	490,322	21,322	462,227
Interest	2,500	2,710	210	1,481
Other revenues	500	428	(72)	305
TOTAL REVENUES	<u>784,500</u>	<u>836,572</u>	<u>52,072</u>	<u>776,298</u>
EXPENDITURES:				
School lunch activities:				
Professional salaries	32,686	33,931	(1,245)	32,362
Non professional salaries	207,721	197,641	10,080	191,872
Insurance	93,232	92,599	633	82,103
FICA, retirement, etc.	64,429	60,971	3,458	56,577
Purchased services	8,200	9,631	(1,431)	7,985
Supplies and materials	396,300	406,650	(10,350)	409,619
Capital outlay	3,000	2,326	674	10,316
Other	5,000	3,859	1,141	4,711
TOTAL EXPENDITURES	<u>810,568</u>	<u>807,608</u>	<u>2,960</u>	<u>795,545</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (26,068)</u>	<u>28,964</u>	<u>\$ 55,032</u>	<u>(19,247)</u>
FUND BALANCE, JULY 1		<u>132,185</u>		<u>151,432</u>
FUND BALANCE, JUNE 30		<u>\$ 161,149</u>		<u>\$ 132,185</u>

Marquette Area Public Schools
Athletic Fund
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
REVENUES:				
Athletic activities	\$ 278,095	\$ 274,539	\$ (3,556)	\$ 68,716
Other revenues			-	114,991
TOTAL REVENUES	<u>278,095</u>	<u>274,539</u>	<u>(3,556)</u>	<u>183,707</u>
EXPENDITURES:				
Athletic activities:				
Professional salaries	67,529	67,529	-	53,746
Non professional salaries	168,495	159,357	9,138	158,407
Insurance	14,893	14,550	343	12,860
FICA, retirement, etc.	47,903	46,887	1,016	44,137
Purchased services	80,950	73,812	7,138	73,919
Supplies and materials	96,750	88,005	8,745	82,731
Capital outlay	26,820	15,403	11,417	622
Other	27,000	32,134	(5,134)	24,544
TOTAL EXPENDITURES	<u>530,340</u>	<u>497,677</u>	<u>32,663</u>	<u>450,966</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (252,245)</u>	<u>(223,138)</u>	<u>\$ (29,107)</u>	<u>(267,259)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>252,245</u>	<u>223,138</u>	<u>29,107</u>	<u>267,259</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE, JULY 1		<u>-</u>		<u>-</u>
FUND BALANCE, JUNE 30		<u>\$ -</u>		<u>\$ -</u>

Marquette Area Public Schools
Debt Service Fund
Balance Sheet
June 30, 2005
With comparative amounts at June 30, 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Cash & Investments	\$ 174,318	\$ 103,389
Delinquent property taxes	8,260	12,181
Due from other funds	<u>1,206</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 183,784</u></u>	<u><u>\$ 115,570</u></u>
Liabilities:		
Due to other funds	<u>\$ -</u>	<u>\$ -</u>
FUND EQUITY:		
Fund Balance:		
Reserved for debt retirement	<u>183,784</u>	<u>115,570</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 183,784</u></u>	<u><u>\$ 115,570</u></u>

Marquette Area Public Schools
Debt Service Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2005
With comparative actual amounts for the year ended June 20, 2004

	2005		Variance	
	Budget	Actual	Favorable (Unfavorable)	2004
Revenues:				
State aid-restricted	\$ -	\$ -	\$ -	\$ -
Taxes and penalties	1,165,259	1,165,324	65	1,105,607
Interest	2,000	10,280	8,280	1,631
Prior period adjustment	30,000	32,837	2,837	-
Other	4,500	3,358	(1,142)	3,599
TOTAL REVENUES	1,201,759	1,211,799	10,040	1,110,837
Expenditures:				
Debt service-principal payments	770,000	770,000	-	655,000
Debt service-interest and agent fees	369,694	368,444	1,250	449,354
Other	7,700	5,141	2,559	-
TOTAL EXPENDITURES	1,147,394	1,143,585	3,809	1,104,354
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 54,365	68,214	\$ 13,849	6,483
FUND BALANCE, JULY 1		115,570		109,087
FUND BALANCE, JUNE 30		\$ 183,784		\$ 115,570

Marquette Area Public Schools
Capital Projects Fund
Balance Sheet
June 30, 2005
With comparative amounts at June 30, 2004

	<u>2005</u>	<u>2004</u>
Assets:		
Investments	\$ 831,772	\$ 1,119,185
Due from Other Funds	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 831,772</u></u>	<u><u>\$ 1,119,185</u></u>
Liabilities:		
Accounts payable	\$ 5,640	\$ -
Due to other funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,640</u>	<u>-</u>
Fund Equity:		
Fund Balance:		
Reserved for capital projects	<u>826,132</u>	<u>1,119,185</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 831,772</u></u>	<u><u>\$ 1,119,185</u></u>

Marquette Area Public Schools
Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005
With comparative amounts at June 30, 2004

	2005		Variance Favorable (Unfavorable)	2004
	Budget	Actual		
REVENUES:				
Interest	\$ 16,500	\$ 16,656	\$ 156	\$ 8,992
Contributions	42,250	42,270	20	-
Other revenues	-	-	-	21,684
TOTAL REVENUES	58,750	58,926	176	30,676
EXPENDITURES:				
Other Expenditures	15,000	15,000	-	1,029
Capital outlay	370,515	370,179	336	96,139
TOTAL EXPENDITURES	385,515	385,179	336	97,168
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(326,765)	(326,253)	512	(66,492)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	33,200	33,200	-	-
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(293,565)	(293,053)	(512)	(66,492)
FUND BALANCE, JULY 1		1,119,185		1,185,677
FUND BALANCE, JUNE 30		\$ 826,132		\$ 1,119,185

Marquette Area Public Schools
Student Activity Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2005

	Balance July 1	Additions	Deductions	Balance June 30
ASSETS:				
Cash and equivalents	\$ 268,994	\$ 583,781	\$ 529,612	\$ 323,162
Accounts receivable	7,353	-	7,353	-
TOTAL ASSETS	<u>\$ 276,347</u>	<u>\$ 583,781</u>	<u>\$ 536,966</u>	<u>\$ 323,162</u>
LIABILITIES:				
Due to other funds	\$ 51,554	\$ 2,846	\$ 51,554	\$ 2,845
Accounts payable	238	473,326	473,008	556
Due to groups, organizations and activities	224,555	600,151	504,945	319,761
TOTAL LIABILITIES	<u>\$ 276,347</u>	<u>\$ 1,076,323</u>	<u>\$ 1,029,507</u>	<u>\$ 323,162</u>

**Marquette Area Public Schools
Student Activity Agency Fund
Statement of Receipts, Disbursements and Transfers
For the Year Ended June 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2005</u>
ABC Conference	\$ 210	\$ -	\$ -	\$ 210
ACAD Ed Support	1,000	1,524	600	1,924
Advanced Placement	4,367	11,532	11,235	4,664
Band Fund	637	58,862	57,974	1,525
Band Fund-Bothwell	1,329	5,403	3,202	3,530
Bay Cliff - 5th Grade	91	16,200	16,244	47
Big Foot Snowshoe	159	-	-	159
BPA	5,744	1,346	1,537	5,553
Board Flower fund	-	125	79	47
Bothwell Extracurricular Activities	1,635	5,881	4,187	3,329
Bothwell Junior Honor Society	1,336	1,791	1,183	1,944
Bothwell School Camp	12,131	73,179	49,893	35,416
Bothwell Sports	1,333	17,849	16,874	2,307
Bothwell Student Benevolence	1,057	-	461	596
Bus Garage	730	563	397	896
Carnegie Hall	32	-	-	32
Choral Fund	995	50,715	45,408	6,302
Choral Fund	1,073	1,810	2,035	848
Class of 1991	472	-	-	472
Class of 1995	260	-	-	260
Class of 1996	1,400	-	-	1,400
Class of 1998	1,186	-	-	1,186
Class of 1999	4,134	-	-	4,134
Class of 2000	144	-	-	144
Class of 2001	500	-	-	500
Class of 2002	5	-	-	5
Class of 2003	7,209	-	-	7,209
Class of 2004	3,334	234	2,350	1,218
Class of 2005	5,127	9,379	6,862	7,645
Class of 2006	1,505	6,971	6,686	1,790
Class of 2007	837	930	525	1,242
Class of 2008	-	1,434	525	909
CEU-SB	346	-	-	346
Dance Outback Bowl	-	2,860	2,860	-
Drama Fund	7,677	12,975	13,541	7,111
Expanding Possibilities	5,999	5,771	3,209	8,561
Family Living	-	230	230	-
Forensic Club	-	8,251	7,323	929
French Club	-	24,469	24,468	0
Friends of Kaufman	3,825	-	-	3,825
Functional Skills Feliz	-	1,425	1,151	274
Functional Skills Cotter	-	421	-	421
German Account	221	-	-	221
Giving Tree	-	100	100	-

	Balance June 30, 2004	Receipts	Disbursements	Balance June 30, 2005
Great Lakes Conference	\$ 60	\$ -	\$ -	\$ 60
Guidance Special Needs	94	500	122	472
Health Occupation	1	8,248	7,458	791
High School Bowl	373	-	-	373
High School Office Vending	945	2,397	2,926	416
Industrial Arts	500	550	-	1,050
Interact High School	64	-	-	64
Interest	36,042	9,695	1,514	44,223
Intramural Basketball	1,154	2,060	2,414	800
Jazz Club	-	432	396	36
K-12 Music	4,634	1,152	415	5,371
Kaufman Incentive	3,068	2,000	1,859	3,209
Kaufman Incentive	3,506	4,250	4,623	3,133
Kaufman Lyceum	5,009	-	-	5,009
Kids for Change	-	420	65	355
Library Club	473	2,671	2,486	657
Library Club	250	3,232	3,223	259
Life Skills	409	-	-	409
Locks PE & Athletics	285	160	154	291
Lounge Fund-High School	249	-	-	249
Lounge Fund-Bothwell	817	953	589	1,181
Marketplace Economics	-	2,500	2,500	-
MSHS Ink .	1,350	688	951	1,087
Miscellaneous	858	-	-	858
MSHS Orchestra	9,419	119,250	120,249	8,420
MSHS Sunshine Committee	481	330	434	377
Musical Fund	3,941	11,704	11,103	4,542
National Honor Society	7,887	1,247	1,042	8,092
Observer	585	-	-	585
Office	4,761	3,396	2,003	6,155
OM Support	375	-	-	375
Parent Training-Sandy Knoll	310	-	-	310
Peer Mentoring Program	371	-	-	371
Photography Club	500	880	-	1,380
Pre-Voc	44	-	12	32
Records Account-MSHS	9,317	1,636	802	10,152
Recreation-Field Trips-Alt. Ed.	-	705	461	244
Renaissance	1,954	4,369	2,601	3,722
Rotary	41	-	-	41
SADD	5	-	-	5
Save the Children - Tsunami	-	8,121	8,121	-
Scholarship Fund - Bothwell	-	1,260	-	1,260
Science Olympiad	242	-	-	242
Spanish Club	74	-	-	74
Spec Ed Assistive Tech	2,065	-	-	2,065
SSR Reading	640	-	-	640
Stadium Project	62	-	-	62
Student Council-MSHS	8,353	8,375	7,013	9,715

	Balance June 30, 2004	Receipts	Disbursements	Balance June 30, 2005
Student Council-Bothwell	\$ 988	\$ 3,045	\$ 3,477	\$ 555
Student Activity-Gravereat MS	234	-	-	234
Student Activity-Vandenboom	30	-	-	30
Student Activity-Bothwell	-	141	177	(36)
Student Activity-Cherry Creek	260	-	-	260
Student Activity 5th Grade	-	6,379	6,260	119
Student Activity 6th Grade	-	559	596	(37)
Student Activity 8th Grade	-	3,310	2,507	803
Student Activity-At Risk	427	-	-	427
Student Activity-Superior Hills	343	-	-	343
Student Welfare Fund	6,775	-	-	6,775
Tatler	15,883	51,364	15,440	51,808
Teen Leadership	55	-	-	55
Therapeutic Swimming Program	5,000	-	1,461	3,539
UP Dyslexia Outreach	2,032	-	-	2,032
UP Reading Association	760	-	-	760
Yearbook	1,312	7,436	7,191	1,558
Yearbook	-	626	626	-
Video Club	850	1,881	538	2,193
Total	<u>\$ 224,555</u>	<u>\$ 600,151</u>	<u>\$ 504,945</u>	<u>\$ 319,761</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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ROBERT J. DOWNS, CPA, CVA

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MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Marquette Area Public Schools
Marquette, Michigan 49855

We have audited the financial statements of Marquette Area Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marquette Area Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marquette Area Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

August 12, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Marquette Area Public Schools
Marquette, Michigan 49855

Compliance

We have audited the compliance of Marquette Area Public School's with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Marquette Area Public School's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marquette Area Public School's management. Our responsibility is to express an opinion on Marquette Area Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette Area Public Schools compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette Area Public School's compliance with those requirements.

In our opinion, Marquette Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Marquette Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette Area Public School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education
Marquette Area Public Schools

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, management, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

August 12, 2005

MARQUETTE AREA PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal CFDA Number	Federal Grantor Pass Through Grantor Program Title Grant Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2005
84.060	E-S060A020067	\$ -	\$ 6,431	\$ -	\$ -	\$ -	\$ -
84.060	E-S060A040067 Carryover	47,512	46,723	46,723	-	46,723	-
84.060	E-S060A040067	47,171	-	-	47,171	45,778	1,393
TOTAL DIRECT		94,683	53,154	46,723	47,171	92,501	1,393
84.010	031530 0203	498,887	498,887	-	-	-	-
84.010	031503 0304	75,976	75,976	-	-	-	-
84.010	041530 0304	467,201	424,398	55,839	42,802	98,641	-
84.010	041530 0405	49,053	-	-	49,053	38,772	10,281
84.010	051530 0405	458,794	-	-	408,639	338,644	69,995
TOTAL		1,549,911	999,261	55,839	500,494	476,057	80,276
84.367	ECIA Title IIA:	184,110	187,110	-	-	-	-
84.367	030520 0203	23,551	23,551	-	-	(188)	188
84.367	040520 0304	199,424	167,177	1,997	32,247	34,244	-
84.367	050520 0405	195,617	-	-	167,464	158,654	8,810
84.298	ECIA Title VI:	-	-	-	-	-	-
84.298	020250 0102	-	-	-	-	-	-
84.318	ECIA Title IID:	16,586	16,586	-	-	-	-
84.318	034290 0203	12,491	12,491	-	-	-	-
84.318	044290 0304	11,660	-	-	11,660	9,768	1,892
84.298	ECIA Title V:	3,000	3,000	-	-	-	-
84.298	040250 0304	2,209	-	-	2,209	2,209	-
TOTAL		648,648	409,915	1,997	213,580	204,687	10,890
TOTAL PASSED THROUGH MDE		2,198,559	1,409,176	57,836	714,074	680,744	91,166

Federal Grantor Pass Through Grantor Program Title Grant Number			Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2005
Passed Through Marquette-Alger Regional Educational Services Agency (MARESA):									
Safe & Drug Free Schools 042860 0304			84.186	\$ 9,771	\$ 4,283	\$ (5,488)	\$ 5,488	\$ -	\$ -
Safe & Drug Free Schools 052860 0405			84.186	9,076	-	-	9,076	9,076	-
TOTAL				18,847	4,283	(5,488)	14,564	9,076	-
P.L. 94-192 Flow Through - #040450 0304			84.027	389,527	389,527	141,112	-	141,112	-
P.L. 94-192 Flow Through - #050450 0405			84.027	247,435	-	-	245,107	206,637	38,470
TOTAL				636,962	389,527	141,112	245,107	347,749	38,470
Goals 2000 - #014260-12			84.276	-	-	-	-	-	-
TOTAL				-	-	-	-	-	-
Homeless			84.196	-	-	-	-	-	-
Preschool #020460-203			84.173	1,210	1,000	-	-	-	-
Preschool #040460-0304			84.173	1,000	-	-	985	985	-
Autism (UP CARES) #040490-3D51			84.027	474	474	210	-	210	-
Autism (UP CARES) #050490-1D20			84.027	1,053	-	-	1,053	-	1,053
TOTAL				3,737	1,474	210	2,038	1,195	1,053
Abstinence Partnership			92.235	-	-	-	-	-	-
Abstinence Partnership			92.235	-	-	-	-	-	-
TOTAL				-	-	-	-	-	-
Perkins - 03-04 4012-02			84.048	28,002	28,002	28,002	-	28,002	-
Perkins - 04-05 5012-02			84.048	24,088	-	-	24,088	-	24,088
TOTAL				52,090	28,002	28,002	24,088	28,002	24,088
LEA Medicaid FFS-Transportation			93.778	7,328	-	-	7,328	7,328	-
TOTAL				7,328	-	-	7,328	7,328	-
TOTAL PASSED THROUGH MARESA				718,964	423,286	163,836	293,125	393,350	63,611
TOTAL U.S. DEPARTMENT OF EDUCATION				3,012,206	1,885,616	268,395	1,054,370	1,166,595	156,170
Passed through Michigan State Police:									
Homeland Security Grant Program Part II-School Initiative			97.004	11,722	-	-	11,722	11,722	-
TOTAL				11,722	-	-	11,722	11,722	-
TOTAL PASSED THROUGH MICHIGAN STATE POLICE				11,722	-	-	11,722	11,722	-

Federal Grantor Pass Through Grantor Program Title Grant Number			Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2005
U.S. Department of Agriculture:									
Nutrition Cluster:									
Passed through MDE:									
National School Lunch Program:									
Section 4 - Total Serving 1957 & 1958			10.555	\$ 61,628	\$ 60,744	\$ -	\$ 61,628	\$ 61,628	\$ -
Section 11 - Free and Reduced 1967 & 1968			10.555	170,359	149,249	-	170,359	170,359	-
TOTAL				231,987	209,993	-	231,987	231,987	-
National School Breakfast Program:									
Breakfast 1977 & 1978			10.553	20,521	17,679	-	20,521	20,521	-
TOTAL				20,521	17,679	-	20,521	20,521	-
Total Nutrition Cluster				252,508	227,672	-	252,508	252,508	-
Food Distribution:									
Entitlement Commodities			10.550	42,990	34,016	-	42,990	42,990	-
Bonus Commodities			10.550	6,287	2,531	-	6,287	6,287	-
TOTAL				49,277	36,547	-	49,277	49,277	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				301,785	264,219	-	301,785	301,785	-
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 3,325,713	\$ 2,149,835	\$ 268,395	\$ 1,367,877	\$ 1,480,102	\$ 156,170

MARQUETTE AREA PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C – STATE GRANTS:

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2005 and are not included on the Schedule of Federal Awards.

Description	Project Number	State Expenditures
Driver Education – Grant	046650	<u>\$5,135</u>

NOTE D – FINAL COST REPORT - FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per R7120		\$938,387
Add - payments not on R7120:		
Direct programs	\$47,171	
Passed through other Districts/Others	304,847	
Bonus and entitlement commodities	<u>49,277</u>	401,295
Less - deferred revenue at the beginning of year – MDE	(57,836)	
Add - deferred revenue at the end of year – MDE	<u>91,166</u>	33,330
Less - State Grants reported on R7120:		
Drivers Education		<u>(5,135)</u>
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>\$1,367,877</u>

NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION (Continued):

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

Total Federal Revenue Sources Reported in the Financial Statements	\$1,360,504
Less:	
Safe and Drug Free School – difference from MARESA	45
LEA – Medicaid Fee for service from MARESA	<u>7,328</u>
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	<u>\$1,367,877</u>

MARQUETTE AREA PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Marquette Area Public Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Marquette Area Public Schools disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Marquette Area Public Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Marquette Area Public Schools were disclosed during the audit.
7. The programs tested as major programs were:

ECIA Title I	CFDA# 84.010
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8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marquette Area Public Schools was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

MARQUETTE AREA PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year June 30, 2005

REPORTABLE CONDITIONS – FINANCIAL STATEMENT AUDIT

NONE



ANDERSON, TACKMAN & COMPANY, P.L.C.

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August 12, 2005

Board of Education
Marquette Area Public Schools
Marquette, MI 49855

We have audited the basic financial statements of the Marquette Area Public Schools for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the School District. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our auditing procedures and not to provide any assurance concerning the adequacy of such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the School District are described in Footnote B. We noted no transactions entered into by the School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant and sensitive estimate affecting the financial statements is the method to estimate accrued sick leave. The School District utilizes the termination method to arrive at the present value of the estimated future sick leave payoffs. Our conclusions regarding the reasonableness of the estimate are based on reviewing and testing the historical data provided by management and using this date to recompute the liability.

Board of Education
Marquette Area Public Schools
Marquette, MI 49855

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the School District that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. We made no such adjustments during the course of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principal to the School District or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us so as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Marquette Area Public Schools auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be and should not be used for anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants